

**DEPARTMENT OF INDUSTRIAL RELATIONS
DIVISION OF WORKERS' COMPENSATION**

**1998 AUDITS OF WORKERS' COMPENSATION
INSURERS, SELF-INSURED EMPLOYERS, AND
THIRD-PARTY ADMINISTRATORS**

April 1, 1999

**California Department of Industrial Relations
Division of Workers' Compensation**

**1998 Audits of Workers' Compensation Insurers, Self-Insured
Employers, and Third-Party Administrators**

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1998 Audit Results

This ninth annual workers' compensation audit report summarizes the accomplishments of the Audit Unit of the Division of Workers' Compensation during calendar year 1998.

Scope

A total of 34 audits were completed by the Audit Unit of the Division of Workers' Compensation in 1998. Of these, 29 of the audits were randomly selected and the remaining 5 were non-random, or "targeted" audits. Non-random audits were selected either based upon results from prior audits or following investigations resulting from complaints received by the Division of Workers' Compensation. The audit subjects included 11 insurance companies, 11 self-administered, self-insured employers, and 12 third-party administrators (TPAs).

In addition to these 34 audits, the Audit Unit scheduled 16 investigations pursuant to Title 8, California Code of Regulations, Section 10106(d) in which claim files will be reviewed based on ratios of points assigned to alleged violations in complaints received by the Division of Workers' Compensation compared to the numbers of claims reported at the adjusting locations. The number of non-random audits to be conducted based on those investigations will be determined based upon the results of those investigations. In 1998, eight non-random audits were scheduled for 1999 based on investigations conducted pursuant to 8CCR§10106(d) in 1997 and 1998. Not included in those investigations are the Audit Unit's on-going investigations and audits at four separate adjusting locations into claims handling practices for which civil penalties of up to \$100,000 may be assessed pursuant to Labor Code Section 129.5(d). For details, see under *Civil Penalty Investigation*, below.

Claim files were selected for audit on a random basis, with the number of medical-only, indemnity and denied cases being selected based on the numbers of claims in each of those populations for the audit subject. In addition, if any complaints were received regarding possible violations of the Labor Code or regulations of the Administrative Director, each claim file related to the complaint was audited. The number of files audited at an adjusting location typically ranges from 100 to approximately 400 files for some audits, based upon the total number of claim files at the adjusting location and the number of complaints received by the Division of Workers' Compensation related to claims handling practices.

Compliance officers audited 6,493 cases, of which 2,425 were cases in which indemnity benefits were paid or were expected to be paid, 2,283 were medical-only cases, 1,621 were cases in which the employer or insurer denied all liability, 108 were selected based on complaints received by the Division of Workers' Compensation, and 56 which were designated as "additional" files. "Additional" files include companion files to files selected for audit as part of a random sample or because of a complaint, in which it was necessary to audit the companion file in order to determine if all benefits were provided in the file selected. "Additional" files also include files audited in excess of the number of files in the random sample which were audited because the files selected were incorrectly designated on the log.

Findings

As a result of audits conducted during the calendar year 1998, the Audit Unit issued 7,774 administrative penalty assessments to administrators totaling \$1,069,285. There were 423 claims in which injured workers were owed unpaid compensation totaling \$356,787.00, an average of \$843.47 per file in which there was unpaid compensation. The unpaid compensation is broken down as follows: \$109,492.77 in temporary disability indemnity and salary continuation in lieu of temporary disability (30.7% of the unpaid compensation), \$166,781.93 in permanent disability indemnity (46.7% of the unpaid compensation), \$20,467.75 in vocational rehabilitation maintenance allowance (5.7% of the unpaid compensation), \$57,583.81 in 10% self-imposed increases for late indemnity payments (16.1% of the unpaid compensation), and \$2,460.74 in interest and penalty and/or unreimbursed medical expenses (0.7% of the unpaid compensation).

The average number of penalty citations per audit subject was 229, the average amount per penalty assessment was \$138, and the average total in penalty assessments per audit was \$31,450. Most assessments were found in the indemnity, complaint, and denied claims, and although very few penalty assessments were found in medical-only claims, the time involved in reviewing them was minimal.

A record amount in penalties for one audit was assessed in 1998 against Ralph's Grocery Company, a self-administered, self-insured employer operating out of Los Angeles. Ralph's Grocery was assessed 1,179 penalties totaling \$217,530. The audit, initiated in 1997, was a non-random audit which resulted from a complaint investigation conducted in 1996, and disclosed \$106,016.79 in unpaid compensation in 76 claims (61 of the 123 randomly selected claims in which there was an obligation to pay accrued indemnity, and 15 of the 31 complaint files). The audit of Ralph's Grocery included eight penalties for unsupported denials of liability for claims, four penalties for failure to investigate, six penalties for incomplete payments and/or failure to pay WCAB awards, and 14 penalties for late payments of awards.¹

A copy of the report of audit findings has been provided to the Manager of the Office of Self-Insurance Plans, along with a recommendation that he consider whether the self-insured employer should be allowed to continue to self-administer its claims. The DWC Audit Unit will also return for a repeat non-random audit of Ralph's Grocery in late 1999 or 2000.

Another audit in 1998 notable for poor results was the audit of the San Francisco office of American International Group (AIG), a randomly selected audit subject which was assessed 704 penalties totaling \$95,270. Although unpaid compensation was relatively low (25 Notices of Compensation Due totaling \$5,097.26 in unpaid compensation), a number of claims involved late paid permanent disability which was only paid after the audit subject was notified of the claims selected for audit immediately before the audit began. In addition, four penalties were assessed for unsupported denial of liability of claims, and 228 penalties totaling \$12,895 were assessed which involved the failure to pay or object to medical expenses within 60 days of receipt of the billing and/or failure to pay interest and the self-imposed 10% penalty for the late payment of the medical bills.

¹ The previous high in penalties was from the 1997 audit of claims for the National Association of Independent Truckers insured by Legion Insurance, in which \$158,940 was assessed. The previous high in unpaid compensation was \$74,005.91 from the 1997 audit of California Hospitals Affiliated Insurance Services, Inc. (CHAIS) of Rancho Cordova.

On the other hand, many 1998 audits showed good results, as shown in Exhibit I of this report. The Redwood Empire Municipal Insurance Fund (REMIF), a randomly selected audit subject, had only \$691.24 in unpaid compensation out of 246 claims, including 96 indemnity files and 50 denied claims. REMIF had been audited previously, in 1994.

Title 8, California Code of Regulations, Section 10111.1(e)(5), adopted in 1994, states, "No administrative penalties shall be assessed if the only violations found in an audit are violations which do not involve the denial of a claim without supporting documentation, or failure to pay or late payment of compensation, and the violations are found in 20% or less of the indemnity files audited." No audits which included indemnity files in the audit sample met these standards in 1998. However, one audit which consisted of only two medical-only files with California exposure, Matson Navigation Company of Terminal Island, was assessed no penalties because no violations were found.

Civil Penalty Investigations

In 1998, the Audit Unit asked the Administrative Director to Issue a Notice to Show Cause as to why three civil penalties of \$100,000 each should not be assessed against Fremont Compensation Insurance Company pursuant to Labor Code Section 129.5(d). The Audit Unit alleges that three separate adjusting locations of Fremont Compensation Insurance have engaged in practices that would warrant imposition of civil penalties.

1998 Penalty Assessments Penalties Collected

	Amount Assessed	Reductions after Appeals	Amount Collected	Unpaid Balance	# of Audits Appealed
No. California	\$438,580	\$6,400	\$432,180	\$0	1
So. California	\$630,705	\$0	\$625,165	\$5,540	2
State Totals	\$1,069,285	\$6,400	\$1,057,345	\$5,540	3

Unpaid Compensation Due To Employees

Of the 2,589 indemnity, complaint, and additional files audited, the Audit Unit found 423 files (16.3% - up from 15.9% in 1997) in which the employee was due compensation, interest and/or penalties totaling \$356,787.00. The average amount of unpaid compensation per file in which there was unpaid compensation was \$843.47, down from \$893.55 in 1997. The administrator is required to pay these employees within 15 days after receipt of a notice advising the administrator of the amount due, unless a written request for a conference is filed within 7 days of receipt of the audit report. In a small number of these cases, the administrator was able to show, by providing additional documentation, that the amount of compensation due was different than the amount cited.

When employees due unpaid compensation cannot be located, the unpaid compensation is payable by the administrator to the *Workplace Health and Safety Revolving Fund*. In these instances, application by an employee can be made to the Division of Workers' Compensation for payment of moneys deposited by administrators into this fund. In 1998, \$1,551.69 was paid into this fund because the injured workers could not be located.

Informal Post-Audit Conferences

Informal post-audit conferences are offered to all administrators after audits are completed. Conferences help to clarify issues, resolve misunderstandings and assist in reducing the frequency and volume of conference appeals. The post-audit conference is the last opportunity for the administrator to respond to audit findings on an informal basis prior to the written audit report and issuance of *Notices of Penalty Assessments* and *Notices of Compensation Due*.

The conference includes:

- A discussion of general findings of areas where there are deficiencies. The Audit Unit also includes frequency tables with the audit reports. These tables (**Exhibit V** for each audit) in effect act as report cards, showing in key areas of consideration the number of files in which exposure for certain penalty assessments exists, the number of files in which penalties were assessed, and the resultant percentage of those files in which penalties were assessed.
- A discussion of claims in which it is anticipated that notices of penalty assessment and/or notices of unpaid compensation will be issued.
- A discussion of claims where the claims administrator is requested to take action and/or provide further information or documentation so that penalties may be properly assessed. Issuance of the final report following the post-audit conference may be postponed until the audit subject has had the chance to obtain additional documentation to clarify any disputed issues.
- A discussion of additional documentation to be obtained to comply with statutory and/or regulatory requirements. Necessary items for documentation of compliance are listed in addenda to the audit reports. These suspense items include requests for such documentation as earnings for the dates of the injury, wage statements needed to determine appropriate disability rates, and proof of provision of claim forms.

Final Audit Report

Following the post-audit conference, the Audit Unit issues the final report of audit findings along with the Notice of Penalty Assessments and Notices of Compensation Due. If any penalties are still in dispute, the audit subject then has 7 days from receipt of the final audit report to request an appeal, either by appeal conference or written decision only from the Administrative Director, and an additional 21 days from the date of request for appeal to submit arguments and supporting documentation. Any unappealed penalties must be paid within 15 days of receipt of the Notice of Penalty Assessments.

Appeals

The Audit Unit has no outstanding appeals from years prior to 1997. During 1998, the one outstanding appeal from 1997 was resolved at the Administrative Director's level, but a Writ of

Mandate was filed with Superior Court. In addition, four appeals were filed as a result of 1998 audits, and three appeals were filed as a result of Notices of Non-Random Audit issued in 1998. Appeal results from 1998 are as follows:

- Browning Ferris Industries - Fremont, Audit No. WCK-3-97-R-2: In 1997, the audit subject appealed 10 penalties totaling \$370 for late first TD payments and one penalty of \$80 for failure to issue a delay notice, claiming that a claims administrator has no duty to issue a delay notice or first TD payment for lost time which would involve a period of temporary disability while awaiting receipt of a medical report authorizing the temporary disability. Following the appeal hearing in 1998, the Administrative Director affirmed the penalties. The audit subject subsequently filed a Writ of Mandate with the Superior Court in San Francisco pursuant to Labor Code Section 129.5(e). Final resolution is pending.
- State Compensation Insurance Fund - Santa Rosa, Audit No. SFO-03-98-R-1: The audit subject appealed 214 penalties totaling \$13,800 for materially inaccurate or incomplete benefit notices, but withdrew its appeal and paid the reduced amounts following the reduction of the penalty amounts to \$7,400 pursuant to 8CCR§10111.1(e)(6).
- City of Anaheim – Anaheim, Audit No. AHM-08-98-R-6: The audit subject appealed 2 penalties totaling \$980 for the failure to issue Notices of Potential Eligibility for vocational rehabilitation within 10 days of knowledge of a physician's opinion that the injured worker was medically eligible for vocational rehabilitation; the appeal is pending.
- The May Company - Redondo Beach, Audit No. AHM-02-98-R-2: The audit subject appealed 3 penalties totaling \$4,560 - two for unsupported denials of liability for claims and one for the late issuance of a delay notice; the appeal is pending.
- Gallagher Bassett Insurance Services - Anaheim, Audit No. SAC-04-98-R-5: The audit subject filed an appeal of the assessment of \$45,240 in penalties following a 1998 audit. The audit subject subsequently withdrew its appeal and paid all penalties.
- Gallagher Bassett Insurance Services - Sacramento, Audit No. SAC-01-99-NR-5: The audit subject appealed its selection for a non-random audit based on a complaint investigation, and then failed to file a statement of the reasons for the appeal within 21 days. The appeal was dismissed and the audit was conducted. A final report of audit findings will issue in 1999.
- Alexsis Risk Management - West Covina, Audit No. TBA: The audit subject appealed its selection for a non-random audit based on a complaint investigation, and then withdrew its appeal when the Audit Unit submitted documentation supporting its selection; the audit has not yet been conducted.
- Lincoln National Corp (American States Insurance) - Concord, Audit No. TBA: The audit subject appealed its selection for a non-random audit based on a complaint investigation, and then withdrew its appeal; the audit has not yet been conducted.

Penalties Collected for Prior Years

\$302,710 were collected in 1998 for penalties assessed in 1997. Penalties for all years before 1997 had no outstanding amounts due.

Types of Penalties Cited

The following are the eight most common types of violations and the number of times they have been cited in 1998 audits:

1. Failure to Timely Provide Proper and Accurate Benefit Notice

In 1998, 3,202 penalty citations totaling \$290,200 (41.2% of the total of 7,774 penalties assessed, and 27.1% of the total dollar amount of \$1,069,285) involved the provision of benefit notices, excluding the vocational rehabilitation notices listed in No. 4 below. The dollar amount of these assessments ranged from \$25 to \$100 each, except for notices of the procedure to evaluate permanent disability and denial notices for injuries occurring on or after 1/1/94, for which the penalties are assessed at up to \$500. These violations are broken down as follows:

- **Materially Inaccurate or Incomplete Benefit Notices**

1,087 penalty citations totaling \$46,295 (14% of the total penalties and 4.3% of the total dollar amount) were issued for materially inaccurate or incomplete benefit notices. The penalties were assessed at \$25 before mitigation for good faith, frequency, and history.

- **Late Provision of Benefit Notices**

936 penalty citations totaling \$57,405 (12% of the total penalties and 5.4% of the total dollar amount) were issued for late provision of benefit notices. The penalty assessments ranged from \$50 to \$100 before mitigation for good faith, frequency, and history.

- **Failure to Issue Benefit Notices**

895 penalty citations totaling \$88,260 (11.5% of the total penalties and 8.3% of the total dollar amount) were issued for the failure to issue benefit notices. The penalty assessments ranged from \$50 to \$100 before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue Notices for the Procedure to Evaluate Permanent Disability**

257 penalty citations totaling \$92,900 (3.3% of the total penalties and 8.7% of the total dollar amount) were issued for late issuance and the failure to issue notices advising of the procedure to evaluate permanent disability. The penalties ranged from \$100 to \$500 before mitigation for good faith, frequency, and history.

- **Violations Involving Denial Notices**

27 penalty citations totaling \$5,340 (0.3% of the total penalties and 0.5% of the total dollar amount) were issued for late issuance, the failure to issue, and the issuance of materially misleading or inaccurate denial notices. The penalties ranged from \$100 to \$500 before mitigation for good faith, frequency, and history.

2. Late Indemnity Payments

1,448 penalty citations totaling \$185,950 (18.6% of the total penalties and 17.4% of the total dollar amount) were assessed for late indemnity payments. The penalties were assessed at up to \$100 before mitigation for good faith, frequency, and history unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity. These violations are broken down as follows:

- **Late Subsequent Indemnity Payments**

771 penalty citations totaling \$82,670 (9.9% of the total penalties and 7.7% of the total dollar amount) were assessed for late subsequent indemnity payments, including any late death benefit payments, the failure to pay all indemnity due with a payment when paid with a later payment, late payments of self-imposed increases for any late indemnity payments, and late payments of WCAB Awards or Orders. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Temporary Disability Indemnity**

475 penalty citations totaling \$48,235 (6.1% of the total penalties and 4.5% of the total dollar amount) were assessed for late first payments of temporary disability indemnity. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Permanent Disability Indemnity**

175 penalty citations totaling \$49,245 (2.3% of the total penalties and 4.6% of the total dollar amount) were assessed for late first payments of permanent disability indemnity. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Vocational Rehabilitation Maintenance Allowance**

25 penalty citations totaling \$4,740 (0.3% of the total penalties and 0.4% of the total dollar amount) were assessed for late first payments of vocational rehabilitation maintenance allowance. The penalties range from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness, unless the payments were more than 30 days late, in which case penalties are assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late Death Benefit Payments**

2 penalty citations totaling \$1,060 (0.03% of the total penalties and 0.1% of the total dollar amount) were assessed for late death benefit payments. The penalties range from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness,

unless the payments were more than 30 days late, in which case penalties are assessed at up to \$1,000 depending on the amount of late paid benefits.

3. Failure to Pay or Object to Medical or Medical-Legal Bills within 60 Days of Receipt

1,413 penalty citations totaling \$86,680 (18.2% of the total penalties and 8.1% of the total dollar amount) were issued involving the failure to pay or object to medical or medical-legal bills within 60 days from the receipt of the bill and failure to pay interest and self-imposed increases for late paid bills. Penalty assessments ranged from \$25 to \$100 each before mitigation for good faith, frequency, and history. The penalties are broken down as follows:

- **Failure to Pay or Object to Medical Expenses within 60 Days of Receipt**

1269 penalty citations totaling \$75,065 (16.3% of the total penalties and 7% of the total dollar amount) were issued for the failure to pay or object to medical expenses within 60 days from the receipt of the bill and/or failure to pay interest and self-imposed increases for late paid bills. Penalty assessments ranged from \$25 to \$100 each depending on the amounts of the bills, before mitigation for good faith, frequency, and history, and from \$25 to \$50 for the failure to pay interest or penalties on late paid medical bills.

- **Failure to Pay or Object to Medical-Legal Bills within 60 Days of Receipt**

144 penalty citations totaling \$11,615 (1.9% of the total penalties and 1.1% of the total dollar amount) were issued for the failure to pay or object to medical-legal bills within 60 days from the receipt of the bill. Penalty assessments ranged from \$50 to \$100 each before mitigation for good faith, frequency, and history, depending on whether the bill remained unpaid at the time of the audit and whether or not interest and penalty were paid.

4. Failure to Pay Accrued and Payable Indemnity in Undisputed Claims

706 penalty citations totaling \$162,655 (9.1% of the total penalties and 15.2% of the total dollar amount) were assessed for violations involving the failure to pay accrued and payable indemnity in undisputed claims. The penalty assessments ranged from \$25 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount, unless the failure to pay involved the complete failure to pay a WCAB Award or Order, in which case penalties are assessed at \$5,000. These violations are broken down as follows:

- **Failure to Pay Self-Imposed Increases for Late Paid Indemnity**

361 penalty citations totaling \$29,950 (4.6% of the total penalties and 2.8% of the total dollar amount) were issued for the failure to pay self-imposed increases payable because of the late payment of temporary or permanent disability indemnity. The penalty assessments ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the amount of the late paid indemnity for which the self-imposed increases were due.

- **Failure to Pay Temporary Disability Indemnity or Salary
Continuation in Lieu of Temporary Disability Indemnity**

206 penalty citations totaling \$61,930 (2.6% of the total penalties and 5.8% of the total dollar amount) were issued for the failure to pay temporary disability indemnity or salary continuation in lieu of temporary disability indemnity which was not awarded or ordered paid by the WCAB. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay Permanent Disability Indemnity**

83 penalty citations totaling \$39,650 (1.1% of the total penalties and 3.7% of the total dollar amount) were issued for the failure to pay permanent disability indemnity which was not awarded or ordered paid by the WCAB. The penalty assessments ranged from \$200 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay Vocational Rehabilitation Maintenance Allowance**

28 penalty citations totaling \$12,000 (0.4% of the total penalties and 1.1% of the total dollar amount) were issued for the failure to pay vocational rehabilitation maintenance allowance which was not awarded or ordered paid by the WCAB or Rehabilitation Unit. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay All or Part of a WCAB Award or Order or
Rehabilitation Unit Order**

15 penalty citations totaling \$16,440 (0.2% of the total penalties and 1.5% of the total dollar amount) were issued for the failure to pay all or part of any indemnity awarded by the WCAB or Rehabilitation Unit. The penalty assessments ranged from \$100 to \$5,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay any Interest or Penalty on an Award**

13 penalty citations totaling \$2,685 (0.2% of the total penalties and 0.3% of the total dollar amount) were issued for the failure to pay any Interest or Penalty on an Award. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

5. Failure to Timely Comply with Vocational Rehabilitation Notice Requirements

438 penalty citations totaling \$166,080 (5.6% of the total penalties and 15.5% of the total dollar amount) were issued for the failure to timely comply with specified vocational rehabilitation notice requirements. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history. The penalties are broken down as follows:

- **Failure to Timely Comply with Vocational Rehabilitation Requirements following 90 Days of Aggregate Temporary Disability**

200 penalty citations totaling \$80,620 (2.6% of the total penalties and 7.5% of the total dollar amount) were issued for the failure to timely assign a Qualified Rehabilitation Representative within 10 Days after 90 days of aggregate total disability for injuries occurring before 1/1/94, and for failure to issue a notice regarding vocational rehabilitation rights within 10 days after 90 days of aggregate total disability for injuries occurring on or after 1/1/94. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue a Notice of Potential Eligibility for Vocational Rehabilitation**

193 penalty citations totaling \$67,680 (2.5% of the total penalties and 6.3% of the total dollar amount) were issued for the failure to timely issue a *Notice of Potential Eligibility* for Vocational Rehabilitation within 10 days of knowledge of a physician's opinion of an employee's medical eligibility. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue a Notice Denying Vocational Rehabilitation as Required**

45 penalty citations totaling \$17,780 (0.6% of the total penalties and 1.7% of the total dollar amount) were issued for the failure to timely issue a denial notice for vocational rehabilitation services along with notice of the procedures for disputing the denial when required, or for termination of vocational rehabilitation services other than as described by Labor Code §4644.

6. Unsupported Denial of Liability for Claims and Failure to Investigate

47 penalty citations totaling \$79,200 (0.6% of the total penalties and 7.4% of the total dollar amount) were issued for unsupported denials of liability for claims and the failure to investigate to determine whether benefits were payable. Penalty assessments ranged up to \$1,000 before mitigation for good faith, frequency, and history for the failure to investigate, and up to \$5,000 before mitigation for good faith, frequency, and history for unsupported denials. The penalties are broken down as follows:

- **Unsupported Denial of Liability for Claims**

26 penalty citations totaling 66,750 (0.3% of the total penalties and 6.2% of the total dollar amount) were issued for unsupported denials of liability for claims. Penalty assessments ranged up to \$5,000 before mitigation for good faith, frequency, and history.

- **Failure to Investigate**

21 penalty citations totaling \$12,450 (0.3% of the total penalties and 1.2% of the total dollar amount) were issued for the failure to investigate to determine whether benefits were payable in a claim. If the failure to investigate led to the denial of all liability for the claim, the penalty was assessed for the unsupported denial rather than the failure to investigate. Penalty assessments ranged up to \$1,000 before mitigation for good faith, frequency, and history.

7. Late Payment of WCAB Awards or Orders or Orders of the Rehabilitation Unit

41 penalty citations totaling \$55,460 (0.5% of the total penalties and 5.2% of the total dollar amount) were issued for late payments of WCAB Orders or Awards or Orders of the Rehabilitation Unit. The penalty assessments ranged up to \$5,000 before mitigation for good faith, frequency, and history, depending on how late the payment.

8. Other Violations

479 penalty citations totaling \$43,060 (6.2% of the total penalties and 4% of the total dollar amount) were issued for other violations, including the failure to document an employee's average weekly earnings when temporary disability is paid at less than the maximum rate, the failure to document that a claim form was provided to an injured worker, the failure to maintain various forms of documentation in a claim file such as copies of medical reports or WCAB orders or awards, the failure to pay or object to a vocational rehabilitation expense within 60 days of receipt of the bill, the filing of an inaccurate Annual Report of Inventory, and claim log violations. Penalty assessments generally range up to \$100 before mitigation for good faith, frequency, and history. Claim log violations and violations involving the filing of an inaccurate Annual Report of Inventory (assessed as part of an audit) range up to \$500.

Penalties for the Failure to File the Annual Report of Inventory

In addition to the 7,774 administrative penalty assessments totaling \$1,069,285 which were assessed as a result of audits, an additional 21 penalties totaling \$5,670 were assessed not as the result of individual audits, but for the failure of claims administrators to timely file an Annual Report of Inventory of Claims with the Audit Unit, as required by Title 8, California Code of Regulations, Section 10104. No appeals were filed as a result of these penalties. These penalties are not otherwise included as part of the audit data within this report, but were assessed as follows:

Claims Administrator/ Location	Amount Assessed	Amount Collected	Unpaid Balance
American All Risk Loss - San Francisco	\$400	\$400	\$0
Berkshire Hathaway Hm - Pasadena	\$280	\$280	\$0
Berkshire Hathaway Hm - So.San Francisco	\$280	\$280	\$0
City & County of San Francisco - San Francisco	\$400	\$400	\$0
Federated Rural Electric - Lenexa, KS	\$280	\$280	\$0
FIRM Solutions - Orange	\$180	\$180	\$0
FIRM Solutions - Orange	\$280	\$280	\$0
Ford Motor Company - Richmond	\$280	\$280	\$0
Gates, McDonald & Co. - Santa Ana	\$280	\$280	\$0
Kemper National Insurance - Long Grove, IL	\$500	\$500	\$0
Marriott International - Santa Ana	\$280	\$280	\$0
May Department Stores - Redondo Beach	\$250	\$250	\$0
Pacific Claims Service - San Diego	\$280	\$280	\$0
Pegasus Risk Management - Modesto	\$280	\$280	\$0

Reliance P & C Companies -	Sacramento	\$100	\$100	\$0
Risk Management Services -	Sacramento	\$280	\$280	\$0
Royal & Sun Alliance -	Walnut Creek	\$280	\$280	\$0
Ryder Services Corporation -	Santa Ana	\$280	\$280	\$0
Ryder Truck Rental, Inc. -	Miami, FL	\$280	\$280	\$0
Sterling Claims Management -	Sacramento	\$100	\$100	\$0
Superior Pacific Insurance Co. -	Pleasanton	\$100	\$100	\$0
Totals		\$5,670	\$5,670	\$0

Conclusion

In 1998, the Audit Unit conducted 34 audits, audited 6,493 claims, which was again down from the 39 audits, 8,504 claims audited in 1997. The reduction in the number of claims audited was again a direct result of approximately half of the Audit Unit's staff being involved in lengthy on-going investigations into claims handling practices at four separate adjusting location during much of 1998. The numbers of files investigated and audited as part of those investigations will not be reported until the investigations and audits have been completed and penalties assessed as appropriate, which is now expected to occur in 1999.

There was a 23.7% reduction in the number of files reviewed in 1998 from the previous year, and the number of penalties assessed decreased by 16.6%, from 9,324 in 1997 to 7,774 in 1998. The dollar amount in penalties decreased by 15.8%, from \$1,269,370 in 1997 to \$1,069,285 in 1998. The average amount per penalty assessment increased by 1.5%, from \$136 in 1997 to \$138 in 1997.

Undoubtedly the numbers and amounts of penalty assessments would have decreased substantially were it not for the poor results of the audit of Ralph's Grocery (See under "Findings on page 2), a non-random audit. At first glance, results of the other non-random audits conducted in 1998 (See Exhibit I) were better than the average of all audits, but it should be noted that two of the non-random audits were of very small adjusting locations (Zurich Insurance in Schaumburg, Illinois had only 8 indemnity files, and American States Insurance in San Ramon had only 11 indemnity files, yet were assessed \$6,020 and \$6,745 in penalties, respectively).

Still a matter of concern is the high number of penalties assessed for late paid and unpaid indemnity in undisputed claims. In 1996, there were 2,739 penalties totaling \$365,645 assessed for late paid and unpaid indemnity in 4,577 audited indemnity and complaint files. In 1997, the numbers were 2,508 penalty assessments totaling \$397,830 for late paid and unpaid indemnity in 3,197 audited indemnity and complaint files. In 1998, there were 2,589 audited indemnity and complaint files and 2,154 penalty assessments totaling \$348,605 for late paid and unpaid indemnity. In spite of a 43.4% decrease in the number of audited indemnity and complaint files from 1996 to 1998, the number of penalties in this category decreased by only 5.3% over the two-year period, and the dollar amount of penalties (reflecting the degrees of lateness of late-paid indemnity and the amounts of unpaid indemnity) decreased by only 4.7%.

In 1996, the Audit Unit issued 579 Notices of Compensation Due totaling \$473,961.34 in unpaid compensation. In 1997, 508 Notices of Compensation Due totaling \$455,401.53 were issued. In 1998, there were 423 Notices of Compensation Due totaling \$356,787.00. While the number of audited indemnity files, including complaint files, decreased by over 43% over the two-year period, the percentage of audited indemnity and complaint files with unpaid compensation

increased from 12.7% in 1996 to 16.3% in 1998. The average amount of unpaid compensation in those files was \$818.59 in 1996, \$893.55 in 1997, and \$843.47 in 1998. While there are some variations from year to year, the existence of high numbers of files with unpaid indemnity and high amounts of unpaid indemnity remains a problem.

As stated under "Findings", 30.7% of the unpaid compensation was in temporary disability indemnity, 46.7% was in permanent disability, 5.7% was in vocational rehabilitation maintenance allowance, 16.1% was in 10% self-imposed increases for late indemnity payments, and 0.7% was in interest and penalty on awards. These breakdowns are comparable to those in earlier years. The main reasons for the relatively high percentage of unpaid permanent disability indemnity continues to be the failure of claims administrators to pay reasonable estimates of permanent disability before permanent disability ratings are received, and the failure to recognize that permanent disability benefits begin accruing immediately after the last period of temporary disability.

Another area of concern continues to be the high number of penalty assessments involving violations for the failure to issue benefit notices, the late issuance of benefit notices, and the issuance of materially inaccurate or incomplete benefit notices. Excluding specified vocational rehabilitation penalties, 3,202 penalty citations totaling \$290,200 (41.2% of the total of 7,774 penalties assessed, and 27.1% of the total dollar amount of \$1,069,285) involved the provision of benefit notices.

Perhaps the clearest way to measure the overall performance of California workers' compensation claims administrators is by the percentages of audited claim files with violations when compared to the claim files with the exposure for violations in key areas. **Exhibit V** shows the numbers and percentages of files with penalties versus the numbers of files with exposure for possible penalties, as measured by the frequency mitigation standards in Title 8, California Code of Regulations, Sections 10111.1(d)(1) and (e)(3). The exhibit lists the numbers and percentages for randomly selected files only, excluding numbers from any files audited as a result of complaints received by the Audit Unit. This year's annual report includes an Exhibit V showing the frequency of files with penalties in these categories for each audit subject, and also includes separate exhibits showing statewide frequency for various categories of audit subjects. They are broken down as follows:

- **Exhibit V, page 1** Statewide Frequency Summary for all audit subjects.
- **Exhibit V, page 2** Statewide Frequency Summary for all randomly selected audit subjects.
- **Exhibit V, page 3** Statewide Frequency Summary for all non-randomly selected audit subjects.
- **Exhibit V, page 4** Statewide Frequency Summary for all insurers, regardless of method of selection.
- **Exhibit V, page 5** Statewide Frequency Summary for all randomly selected insurers.
- **Exhibit V, page 6** Statewide Frequency Summary for all non-randomly selected insurers.

- **Exhibit V, page 7** Statewide Frequency Summary for all self-insured employers, regardless of method of selection.
- **Exhibit V, page 8** Statewide Frequency Summary for all randomly selected self-insured employers.
- **Exhibit V, page 9** Statewide Frequency Summary for all non-randomly selected self-insured employers.
- **Exhibit V, page 10** Statewide Frequency Summary for all third-party administrators, regardless of method of selection.
- **Exhibit V, page 11** Statewide Frequency Summary for all randomly selected third-party administrators.
- **Exhibit V, page 12** Statewide Frequency Summary for all non-randomly selected third-party administrators.

A comparison of the statewide frequency for all audit subjects (Exhibit 5, page 1) with prior years annual reports shows that performance has declined in certain critical areas. For example, 15.78% of the randomly selected audited files with temporary disability payments in 1995 were assessed for late first payments of temporary disability, the percentage was up to 22.07% in 1996, and in 1997 the percentage of files with assessments was 20.71%. In 1998, the figure was 28.3%.

Of the randomly selected audited files with permanent disability payments, 23.19% were assessed for late first payments of permanent disability in 1995. The percentage increased to 30.62% in 1996, 30.79% in 1997, and 25.62% in 1998. Of the randomly selected audited files in which indemnity was accrued and payable, the percentage with assessments for unpaid indemnity was 15.68% in 1995, up to 17.18% in 1996, up again to 19.39% in 1997, and 19.49% in 1998..

Another area of special concern is the high percentages of files with penalty assessments involving specific vocational rehabilitation obligations. Of the audited files with dates of injury of 1/1/94 or after where the obligation was to issue a notice of vocational rehabilitation rights after 90 days of temporary disability rather than assign the QRR, the rate of violations has hardly changed. In 1995, 45.33% of the files with exposure for possible violations were assessed penalties, in 1996 the rate was 45.13%, in 1997 the percentage was 43.57%, and in 1998 it was 41.45%. Of the files where there was an obligation to issue a Notice of Potential Eligibility for vocational rehabilitation to the injured worker within 10 days of knowledge of a physician's opinion that the employee was medically eligible, 48.59% were assessed penalties for violations in 1995, 47.85% were assessed penalties in 1996, 48.03% were assessed penalties in 1997, and 50.16% in 1998.

One other area in which there are a substantial number of penalty assessments and which showed an increase in percentages of assessments in 1997 is the area of benefit notices. There were assessments for failure to issue benefit notices in 14.15% of the files in which there was a requirement to issue notices in 1995, 21.42% in 1996, 24.02% in 1997, and 21.89% in 1998. In addition, there were assessments for late benefit notices in 14.26% of the files in which benefit notices were issued in 1995, 21.91% in 1996, 23.31% in 1997, and 25.41% in 1998.

While it is true that percentages of files with violations compared to the files with the possibility for violations in the various categories of benefit provision vary slightly from year to year, there does

not appear to be any evidence that overall performance is improving. Some adjusting locations show low percentages of violations in some key areas and high percentages in others, but percentages in the individual areas do not seem to vary widely statewide from year to year.

A comparison of the frequency summaries for randomly selected audit subjects (Exhibit V, page 2) and for non-randomly selected audit subjects (Exhibit V, page 3) shows that frequency of assessments is generally higher for the targeted audit subjects than for the randomly selected audit subjects, although in 1998 figures are substantially affected by the findings from one audit, that of Ralph's Grocery.

In the interest of helping claims administrators comply with statutes and regulations governing the provision of workers' compensation benefits, the Audit Unit has established a training program to assist claims administrators understanding of the audit process and how to improve future audit results. The workshops, provided to claims administrators on a voluntary basis, are provided free of charge on request at the administrators' adjusting locations. In 1998, the Audit Unit conducted 34 workshops for the claims industry, 17 in northern California and 17 in southern California.

The Division of Workers' Compensation will continue to work to insure that injured workers receive their proper workers' compensation benefits. Audit regulations were amended in November, 1998 that established standards of frequency of violations for certain key areas of benefit provision such as the adequacy and timeliness of payments and denial of liability for claims. The intent of the changes is to establish lower sample sizes of audited claims for audit subjects which meet the standards, and larger samples of claims for the audit subjects which do not meet the standards. One goal is to allow the Audit Unit to cut audits short if the subject demonstrates good performance, thus allowing the Audit Unit to conduct more audits and concentrate on those adjusting locations with poor performance. Standards of performance were established which will result in return, non-random audits or referral to the Administrative Director for the possible assessment of a civil penalty of up to \$100,000.00 pursuant to Labor Code Section 129.5(d).

Additional regulation changes reward good performance by allowing additional mitigation of penalty amounts for certain types violations that do not involve the late payment or failure to pay benefits if certain standards are met.

Exhibit I is a summary of the number of files audited by type, the numbers and amounts of penalties, amounts collected, balance due, and the number of appeals for Northern California and Southern California.

Exhibit II is a summary of the audit results for each audit. There are separate listings for Northern California and for Southern California, for randomly selected and non-randomly selected audit subjects, and breakdowns showing the same data for insurers, self-insured employers, and third-party administrators as separate groupings.

Exhibit III separates the Schedule of Administrative Penalties in Title 8, California Code of Regulations, Sections 10111 and 10111.1 into various categories. There is a Key to Exhibit III describing the nature of each category and listing maximum assessment amounts, an Exhibit III showing statewide totals by category, and a separate Exhibit III for each audit subject.

Exhibit IV summarizes by type of indemnity the amounts of unpaid compensation found in the 728 audited claims for which Notices of Compensation Due were issued. There is an individual Exhibit IV showing a breakdown of each Notice of Compensation Due issued for each audit subject.

Exhibit V shows the frequency of violations based on percentages. There are tables showing statewide frequency of files with violations for groupings of audit subjects as described in pages 14 and 15 above and an individual table showing the frequency as calculated for each audit subject. The tables indicate, in each of 21 key areas of consideration, the number of files in which the exposure for assessment exists, the number of files in which penalties were assessed, and the percentage of those files with exposure in which penalties were assessed. The frequency factor to exposure for each key area is calculated based on data from files selected for audit, excepting those selected because of complaints.

Calendar Year 1998
Penalty Assessments and Collections

Statewide Summary

	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	# of Audits Appealed
	Indem- nity	Medical Only	Denied	Com- plaints	Add- tional						
No. California	1251	1124	851	49	15	3573	\$438,580	\$6,400	\$432,180	\$0	1
So. California	1174	1159	770	59	38	4201	\$630,705	\$0	\$625,165	\$5,540	2
Total	2425	2283	1621	108	53	7774	\$1,069,285	\$6,400	\$1,057,345	\$5,540	3

Northern California
Calendar Year 1998
Penalty Assessments and Collections

Audit Subject & Location	R/ N R	INS/ SI/ TPA	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- tional						Y	N
American International Group/S.F.	R	INS	111	111	101	13	1	704	\$95,270	\$0	\$95,270	\$0		x
American States Insurance Co/San Ramon	NR	INS	11	3	3	1	0	51	\$6,745	\$0	\$6,745	\$0		x
California Indemnity Insurance/Pleasanton	R	INS	136	67	58	9	0	475	\$63,570	\$0	\$63,570	\$0		x
Crawford & Company/Sacramento	R	TPA	58	66	53	5	0	276	\$43,245	\$0	\$43,245	\$0		x
Crum & Forster Insurance/San Francisco	R	INS	94	62	22	2	7	274	\$32,085	\$0	\$32,085	\$0		x
Fleming & Associates/Salinas	R	TPA	55	63	25	0	0	153	\$9,340	\$0	\$9,340	\$0		x
Gates, McDonald and Company/Concord	R	TPA	57	66	58	4	1	149	\$25,930	\$0	\$25,930	\$0		x
Kemper National Insurance Co/Concord	R	INS	130	66	53	2	3	199	\$25,100	\$0	\$25,100	\$0		x
Kemper National Insurance Co/Sacramento	R	INS	106	110	73	2	1	241	\$26,790	\$0	\$26,790	\$0		x
Matrix Self-Ins Resources/San Jose	R	TPA	56	66	56	3	0	65	\$7,190	\$0	\$7,190	\$0		x
Redwood Empire Municipal Ins Fund/Sonoma	R	SI	96	98	50	0	2	100	\$10,560	\$0	\$10,560	\$0		x
State Compensation Ins Fund/Santa Rosa	R	INS	111	111	101	2	0	415	\$37,600	\$6,400	\$31,200	\$0	x	
State Compensation Ins Fund/Stockton	R	INS	111	111	96	2	0	268	\$29,800	\$0	\$29,800	\$0		x
TIG Insurance Co/Concord	R	INS	111	111	98	3	0	171	\$19,335	\$0	\$19,335	\$0		x
Zurich Insurance Group/Schaumburg, IL	NR	INS	8	13	4	1	0	32	\$6,020	\$0	\$6,020	\$0		x
Total	15	15	1251	1124	851	49	15	3573	\$438,580	\$6,400	\$432,180	\$0	1	0

R - Random	13	INS - Insurance	10
NR - Non-Random	2	SI - Self-Insured	1
		TPA - Third Party Administrator	4
Total	15	Total	15

Southern California
Calendar Year 1998
Penalty Assessments and Collections

Audit Subject & Location	R/ NR	INS/ SI/ TPA	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
American Building Maintenance, Inc./L.A.	R	SI	45	53	25	0	0	144	\$19,940	\$0	\$19,940	\$0		x
Applied Risk Management/Los Angeles	R	TPA	56	66	56	4	1	175	\$22,560	\$0	\$22,560	\$0		x
Chubb Group of Insurance Companies/L.A.	NR	INS	55	65	47	8	2	207	\$25,865	\$0	\$25,865	\$0		x
City of Anaheim/Anaheim	R	SI	45	61	28	0	0	46	\$4,795	\$0	\$3,815	\$980	x	
City of Riverside/Riverside	R	SI	49	60	42	0	0	83	\$8,030	\$0	\$8,030	\$0		x
City of San Diego/San Diego	R	SI	124	66	57	6	0	375	\$55,785	\$0	\$55,785	\$0		x
County of Kern/Bakersfield	R	SI	54	55	63	0	0	81	\$8,145	\$0	\$8,145	\$0		x
Crawford & Company/Woodland Hills	R	TPA	65	54	11	0	0	409	\$54,780	\$0	\$54,780	\$0		x
Fleming & Associates/Glendale	NR	TPA	15	16	2	0	1	37	\$6,250	\$0	\$6,250	\$0		x
GAB Robins North America, Inc./Ontario	R	TPA	109	111	93	6	0	389	\$59,975	\$0	\$59,975	\$0		x
Gallagher Bassett Services/Anaheim	R	TPA	106	110	73	1	6	298	\$45,240	\$0	\$45,240	\$0		x
Garden Grove USD/Garden Grove	R	SI	42	57	33	1	0	35	\$17,515	\$0	\$17,515	\$0		x
Matson Navigation Co/Terminal Island	R	SI	0	2	0	0	0	0	\$0	\$0	\$0	\$0		x
May Department Stores Co/Redondo Beach	R	SI	96	63	46	2	0	258	\$39,935	\$0	\$35,375	\$4,560	x	
Preferred Works, Inc./Pasadena	R	TPA	87	57	20	0	1	271	\$26,905	\$0	\$26,905	\$0		x
Ralph's Grocery Company/Los Angeles	NR	SI	110	110	98	31	16	1179	\$217,530	\$0	\$217,530	\$0		x
Rockwell International Corp/Newbury Park	R	SI	44	73	16	0	8	150	\$11,060	\$0	\$11,060	\$0		x
Sedgwick Claims/Hazelrigg Risk-San Diego	R	TPA	58	66	55	0	3	49	\$4,720	\$0	\$4,720	\$0		x
SERVCO/CNA Insurance/Glendale	R	TPA	14	14	5	0	0	15	\$1,675	\$0	\$1,675	\$0		x
Total	19	19	1174	1159	770	59	38	4201	\$630,705	\$0	\$625,165	\$5,540	2	0

		Ins - Insurance	1
R - Random	16	SI - Self-Insured	10
NR - Non-Random	3	TPA - Third Party Administrator	8
Total	19	Total	19

Audit Subjects by Methods of Selection
Calendar Year 1998
Penalty Assessments and Collections

Type of Random Audit Subject	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	8	910	749	602	35	12	2747	\$329,550	\$6,400	\$323,150	\$0	1	7
Self-insured Employer	10	595	588	360	9	10	1272	\$175,765	\$0	\$170,225	\$5,540	2	8
Third-party Administrator	11	721	739	505	23	12	2249	\$301,560	\$0	\$301,560	\$0	0	11
Total Random	29	2226	2076	1467	67	34	6268	\$806,875	\$6,400	\$794,935	\$5,540	3	26

Type of Non-random Audit Subject	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	3	74	81	54	10	2	290	\$38,630	\$0	\$38,630	\$0	0	3
Self-insured Employer	1	110	110	98	31	16	1179	\$217,530	\$0	\$217,530	\$0	0	1
Third-party Administrator	1	15	16	2	0	1	37	\$6,250	\$0	\$6,250	\$0	0	1
Total Non-random	5	199	207	154	41	19	1506	\$262,410	\$0	\$262,410	\$0	0	5

Type of Audit	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Total Random	29	2226	2076	1467	67	34	6268	\$806,875	\$6,400	\$794,935	\$5,540	3	26
Total Non-random	5	199	207	154	41	19	1506	\$262,410	\$0	\$262,410	\$0	0	5
Totals	34	2425	2283	1621	108	53	7774	\$1,069,285	\$6,400	\$1,057,345	\$5,540	3	31

Audit Subjects by Type of Claims Administrator
Calendar Year 1998
Penalty Assessments and Collections

Insurer	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Random	8	910	749	602	35	12	2747	\$329,550	\$6,400	\$323,150	\$0	1	7
Non-random	3	74	81	54	10	2	290	\$38,630		\$38,630	\$0	0	3
Total Insurer	11	984	830	656	45	14	3037	\$368,180	\$6,400	\$361,780	\$0	1	10

Self-insured Employer	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Random	10	595	588	360	9	10	1272	\$175,765	\$0	\$170,225	\$5,540	2	8
Non-random	1	110	110	98	31	16	1179	\$217,530	\$0	\$217,530	\$0	0	1
Total Self-insured	11	705	698	458	40	26	2451	\$393,295	\$0	\$387,755	\$5,540	2	9

Third-party Administrator	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Random	11	721	739	505	23	12	2249	\$301,560	\$0	\$301,560	\$0	0	11
Non-random	1	15	16	2	0	1	37	\$6,250		\$6,250	\$0	0	1
Total Third-party	12	736	755	507	23	13	2286	\$307,810	\$0	\$307,810	\$0	0	12

Claims Administrator	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	11	984	830	656	45	14	3037	\$368,180	\$6,400	\$361,780	\$0	1	10
Self-insured Employer	11	705	698	458	40	26	2451	\$393,295	\$0	\$387,755	\$5,540	2	9
Third-party Administrator	12	736	755	507	23	13	2286	\$307,810	\$0	\$307,810	\$0	0	12
Totals	34	2425	2283	1621	108	53	7774	\$1,069,285	\$6,400	\$1,057,345	\$5,540	3	31

ADMINISTRATIVE PENALTY ASSESSMENTS
SCHEDULE OF PENALTIES - 1998

Item	Nature of Violations by Category with Maximum Amounts of Penalties
1	For late first payment of temporary disability indemnity: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
2	For late first payment of permanent disability indemnity: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
3	For late first payment of VRMA: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
4	For any late subsequent temporary or permanent disability indemnity or VRMA payments, including failure to pay any indemnity then due when paid with a later payment: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity. Penalties for any late payments of self-imposed increases for any late indemnity payments: up to \$25, unless the late payment is more than 30 days late, in which case the penalty may be up to \$100, depending on the amount of unpaid indemnity.
5	For late first payment and any subsequent payments of death benefits: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
6	For failure to issue benefit notices, other than specified vocational rehabilitation notices for all dates of injury, notices of the procedure to evaluate PD, and denial notices for injuries occurring before 1/1/94: up to \$100.
7	For late provision of benefit notices, other than specified vocational rehabilitation notices for all dates of injury, notices of the procedure to evaluate PD, and denial notices for injuries occurring before 1/1/94: up to \$75, unless the late notice is more than 30 days late, in which case the penalty may be up to \$100.
8	Involving the failure to pay or object to medical expenses within 60 days of receipt of billing: up to \$100.
9	Involving the failure to pay or object to medical-legal expenses within 60 days of receipt of billing: up to \$100.
10	For failure to pay or object to vocational rehabilitation expenses within 60 days of receipt of billing: up to \$100.
11	For injuries before 1/1/94, penalties for failure to assign a qualified rehabilitation representative within 10 days after 90 days of aggregate total disability: up to \$500.
12	For injuries on or after 1/1/94, penalties for failure to provide vocational rehabilitation information to the injured employee as required by Labor Section 4636(a) within 10 days after 90 days of aggregate total disability: up to \$500.
13	For failure to notify the injured employee in a timely manner of potential eligibility for vocational rehabilitation: up to \$500.
14	For failure to notify the injured employee in a timely manner of non-eligibility for vocational rehabilitation: up to \$500.
15	Involving notices of the procedure to evaluate PD for injuries occurring on or after 1/1/94: up to \$500.
16	Involving notices denying all liability or death benefits for injuries occurring on or after 1/1/94: up to \$500.
17	For failure to timely respond to a request to provide or authorize medical treatment: up to \$100.
18 a	For failure to pay any temporary disability indemnity or salary continuation in lieu of temporary disability indemnity not included in an award or order: up to \$1,000.
18 b	For failure to pay any permanent disability indemnity not included in an award or order: up to \$1,000.
18 c	For failure to pay any voc. rehabilitation maintenance allowance not included in an award or order: up to \$1,000.
18 d	For failure to pay any self-imposed increase for late indemnity payments: up to \$100.
18 e	For failure to pay any indemnity as ordered by WCAB Order or Award or Rehabilitation Unit Order: up to \$5,000.
18 f	For any other unpaid indemnity, including but not limited to the following: up to \$500 for the failure to pay any interest on a WCAB Order or Award and up to \$1,000 for the failure to pay any death benefits.
19	For failure to include items or properly designate entries on a claim log: up to \$100.
20 a	For materially incomplete or inaccurate benefit notices, other than specified vocational rehabilitation notices, for all dates of injury: up to \$25. Penalties for materially incomplete or inaccurate notices of denial of all liability for injuries occurring on or after 1/1/94: up to \$500.
20 b	For failure to investigate: up to \$1,000.
20 c	For late payment of WCAB Orders or Awards or Rehabilitation Unit Orders: up to \$1,000.
20 d	Other penalties, including failure to comply with Decisions or Orders of the WCAB or Rehab. Unit not involving the payment of indemnity: from \$25 to \$5,000, depending on the nature of the violation.
21	Unsupported denial of liability for a claim: up to \$5,000.

Exhibit III**Calendar Year 1998****Frequency of Penalties Cited By Type of Penalty
Statewide Summary**

Item No.	Number of Times Cited	Total \$ Penalties Assessed
1	475	\$48,235
2	175	\$49,245
3	25	\$4,740
4	771	\$82,670
5	2	\$1,060
6	895	\$88,260
7	936	\$57,405
8	1,269	\$75,065
9	144	\$11,615
10	31	\$2,050
11	5	\$1,920
12	195	\$78,700
13	193	\$67,680
14	45	\$17,780
15	257	\$92,900
16	27	\$5,340
17	5	\$500
18a	206	\$61,930
18b	83	\$39,650
18c	28	\$12,000
18d	361	\$29,950
18e	15	\$16,440
18f	13	\$2,685
19	133	\$8,745
20a	1,087	\$46,295
20b	21	\$12,450
20c	41	\$55,460
20d	310	\$31,765
21	26	\$66,750
Totals	7,774	\$1,069,285

Exhibit IV**Calendar Year 1998****Notices of Compensation Due****Statewide Summary**

	Temporary Disability	Permanant Disability	VRMA	Self- imposed Increase	Death Benefits	Penalty interest, or other	Total
North	\$30,618.90	\$60,584.87	\$10,547.92	\$21,611.41	\$0.00	\$278.41	\$123,641.51
South	\$78,873.87	\$106,197.06	\$9,919.83	\$35,972.40	\$0.00	\$2,182.33	\$233,145.49
Totals:	\$109,492.77	\$166,781.93	\$20,467.75	\$57,583.81	\$0.00	\$2,460.74	\$356,787.00

Calendar Year 1998

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**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Audit Subjects

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	1,443	416	28.83%
2	LATE FIRST PAY OF PD	566	145	25.62%
3	LATE FIRST PAY OF VRMA	166	24	14.46%
4	LATE SUBSEQ INDEM. PAY	1,122	255	22.73%
5	LATE PAY OF DEATH BENEFITS	3	2	66.67%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	2,746	601	21.89%
7	LATE BEN. NOTICES (INDEM.,DELAY)	2,731	694	25.41%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	1,557	230	14.77%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	996	83	8.33%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	256	11	4.30%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	3	2	66.67%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	427	177	41.45%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	319	160	50.16%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	118	33	27.97%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	1,326	235	17.72%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	1,625	26	1.60%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A.	2	N.A.
18	UNPAID INDEMNITY	1,970	384	19.49%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	132,254	97	0.07%
20	OTHER ASSESSMENTS	6,325	1,003	15.86%
21	UNSUPPORTED DENIALS	1,621	25	1.54%

Corrected 6/9/99

Calendar Year 1998

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Frequency of Assessments
In Randomly Selected Audited Files

Statewide Summary For All Randomly Selected Audit Subjects

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	1,287	380	29.53%
2	LATE FIRST PAY OF PD	510	128	25.10%
3	LATE FIRST PAY OF VRMA	140	14	10.00%
4	LATE SUBSEQ INDEM. PAY	997	234	23.47%
5	LATE PAY OF DEATH BENEFITS	3	2	66.67%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	2,461	537	21.82%
7	LATE BEN. NOTICES (INDEM.,DELAY)	2,447	619	25.30%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	1,391	174	12.51%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	888	63	7.09%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	215	5	2.33%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	368	150	40.76%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	279	140	50.18%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	105	26	24.76%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	1,195	197	16.49%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	1,461	18	1.23%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	2	N.A.
18	UNPAID INDEMNITY	1,781	305	17.13%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	122,590	81	0.07%
20	OTHER ASSESSMENTS	5,764	879	15.25%
21	UNSUPPORTED DENIALS	1,467	17	1.16%

Corrected 6/9/99

Calendar Year 1998

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**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Non-randomly Selected Audit Subjects

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	156	36	23.08%
2	LATE FIRST PAY OF PD	56	17	30.36%
3	LATE FIRST PAY OF VRMA	26	10	38.46%
4	LATE SUBSEQ INDEM. PAY	125	21	16.80%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	285	64	22.46%
7	LATE BEN. NOTICES (INDEM.,DELAY)	284	75	26.41%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	166	56	33.73%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	108	20	18.52%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	41	6	14.63%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	2	2	100.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	59	27	45.76%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	40	20	50.00%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	13	7	53.85%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	131	38	29.01%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	164	8	4.88%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	189	79	41.80%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	9,664	16	0.17%
20	OTHER ASSESSMENTS	561	124	22.10%
21	UNSUPPORTED DENIALS	154	8	5.19%

Calendar Year 1998
Frequency of Assessments
In Randomly Selected Audited Files

Statewide Summary For All Insurers, Regardless of Method of Selection

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	693	210	30.30%
2	LATE FIRST PAY OF PD	203	40	19.70%
3	LATE FIRST PAY OF VRMA	64	4	6.25%
4	LATE SUBSEQ INDEM. PAY	469	104	22.17%
5	LATE PAY OF DEATH BENEFITS	2	1	50.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	1,062	227	21.37%
7	LATE BEN. NOTICES (INDEM.,DELAY)	1,060	294	27.74%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	781	97	12.42%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	406	27	6.65%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	75	2	2.67%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	162	68	41.98%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	118	54	45.76%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	50	10	20.00%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	472	78	16.53%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	657	11	1.67%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	837	139	16.61%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	79,455	27	0.03%
20	OTHER ASSESSMENTS	2,469	498	20.17%
21	UNSUPPORTED DENIALS	656	7	1.07%

Calendar Year 1998
Frequency of Assessments
In Randomly Selected Audited Files

Statewide Summary All Randomly Selected Insurers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	656	206	31.40%
2	LATE FIRST PAY OF PD	186	37	19.89%
3	LATE FIRST PAY OF VRMA	61	2	3.28%
4	LATE SUBSEQ INDEM. PAY	437	98	22.43%
5	LATE PAY OF DEATH BENEFITS	2	1	50.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	984	208	21.14%
7	LATE BEN. NOTICES (INDEM.,DELAY)	983	287	29.20%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	721	87	12.07%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	371	21	5.66%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	71	2	2.82%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	153	60	39.22%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	111	52	46.85%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	49	10	20.41%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	432	72	16.67%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	603	7	1.16%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	784	128	16.33%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	76,190	17	0.02%
20	OTHER ASSESSMENTS	2,259	476	21.07%
21	UNSUPPORTED DENIALS	602	7	1.16%

Calendar Year 1998
Frequency of Assessments
In Randomly Selected Audited Files

Statewide Summary For All Non-randomly Selected Insurers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	37	4	10.81%
2	LATE FIRST PAY OF PD	17	3	17.65%
3	LATE FIRST PAY OF VRMA	3	2	66.67%
4	LATE SUBSEQ INDEM. PAY	32	6	18.75%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	78	19	24.36%
7	LATE BEN. NOTICES (INDEM.,DELAY)	77	7	9.09%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	60	10	16.67%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	35	6	17.14%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	4	0	0.00%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	9	8	88.89%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	7	2	28.57%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	1	0	0.00%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	40	6	15.00%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	54	4	7.41%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	53	11	20.75%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	3,265	10	0.31%
20	OTHER ASSESSMENTS	210	22	10.48%
21	UNSUPPORTED DENIALS	54	0	0.00%

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**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary of All Self-Insured Employers,
Regardless of Method of Selection**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	287	58	20.21%
2	LATE FIRST PAY OF PD	197	57	28.93%
3	LATE FIRST PAY OF VRMA	48	11	22.92%
4	LATE SUBSEQ INDEM. PAY	295	49	16.61%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	813	171	21.03%
7	LATE BEN. NOTICES (INDEM.,DELAY)	808	207	25.62%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	391	84	21.48%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	313	26	8.31%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	89	7	7.87%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	2	2	100.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	117	44	37.61%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	94	45	47.87%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	36	13	36.11%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	448	92	20.54%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	463	10	2.16%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	530	123	23.21%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	14,242	20	0.14%
20	OTHER ASSESSMENTS	1,861	231	12.41%
21	UNSUPPORTED DENIALS	458	16	3.49%

Calendar Year 1998

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Frequency of Assessments
In Randomly Selected Audited Files

Statewide Summary For All Randomly Selected Self-insured Employers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	181	29	16.02%
2	LATE FIRST PAY OF PD	160	44	27.50%
3	LATE FIRST PAY OF VRMA	26	3	11.54%
4	LATE SUBSEQ INDEM. PAY	210	35	16.67%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	621	128	20.61%
7	LATE BEN. NOTICES (INDEM.,DELAY)	616	140	22.73%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	299	40	13.38%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	240	12	5.00%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	54	1	1.85%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	72	26	36.11%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	63	27	42.86%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	24	6	25.00%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	366	60	16.39%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	355	6	1.69%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	407	62	15.23%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	7,887	14	0.18%
20	OTHER ASSESSMENTS	1,543	134	8.68%
21	UNSUPPORTED DENIALS	360	8	2.22%

Corrected 6/9/99

Calendar Year 1998

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**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Non-randomly Selected Self-insured Employers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	106	29	27.36%
2	LATE FIRST PAY OF PD	37	13	35.14%
3	LATE FIRST PAY OF VRMA	22	8	36.36%
4	LATE SUBSEQ INDEM. PAY	85	14	16.47%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	192	43	22.40%
7	LATE BEN. NOTICES (INDEM.,DELAY)	192	67	34.90%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	92	44	47.83%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	73	14	19.18%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	35	6	17.14%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	2	2	100.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	45	18	40.00%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	31	18	58.06%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	12	7	58.33%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	82	32	39.02%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	108	4	3.70%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	123	61	49.59%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	6,355	6	0.09%
20	OTHER ASSESSMENTS	318	97	30.50%
21	UNSUPPORTED DENIALS	98	8	8.16%

Calendar Year 1998

**Exhibit V
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**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary For All Third-party Administrators,
Regardless of Method of Selection**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	463	148	31.97%
2	LATE FIRST PAY OF PD	166	48	28.92%
3	LATE FIRST PAY OF VRMA	54	9	16.67%
4	LATE SUBSEQ INDEM. PAY	358	102	28.49%
5	LATE PAY OF DEATH BENEFITS	1	1	100.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	871	203	23.31%
7	LATE BEN. NOTICES (INDEM.,DELAY)	863	193	22.36%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	385	49	12.73%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	277	30	10.83%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	92	2	2.17%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	148	65	43.92%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	107	61	57.01%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	32	10	31.25%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	406	65	16.01%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	505	5	0.99%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	2	N.A.
18	UNPAID INDEMNITY	603	122	20.23%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	38,557	50	0.13%
20	OTHER ASSESSMENTS	1,995	274	13.73%
21	UNSUPPORTED DENIALS	507	2	0.39%

Corrected 6/9/99

Calendar Year 1998

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**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Randomly Selected Third-party Administrators

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	450	145	32.22%
2	LATE FIRST PAY OF PD	164	47	28.66%
3	LATE FIRST PAY OF VRMA	53	9	16.98%
4	LATE SUBSEQ INDEM. PAY	350	101	28.86%
5	LATE PAY OF DEATH BENEFITS	1	1	100.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	856	201	23.48%
7	LATE BEN. NOTICES (INDEM.,DELAY)	848	192	22.64%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	371	47	12.67%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	277	30	10.83%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	90	2	2.22%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	143	64	44.76%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	105	61	58.10%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	32	10	31.25%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	397	65	16.37%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	503	5	0.99%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	2	N.A.
18	UNPAID INDEMNITY	590	115	19.49%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	38,513	50	0.13%
20	OTHER ASSESSMENTS	1,962	269	13.71%
21	UNSUPPORTED DENIALS	505	2	0.40%

Corrected 6/9/99

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**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary For All Non-Randomly Selected
Third-party Administrators**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	13	3	23.08%
2	LATE FIRST PAY OF PD	2	1	50.00%
3	LATE FIRST PAY OF VRMA	1	0	0.00%
4	LATE SUBSEQ INDEM. PAY	8	1	12.50%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	15	2	13.33%
7	LATE BEN. NOTICES (INDEM.,DELAY)	15	1	6.67%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	14	2	14.29%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	0	0	0.00%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	2	0	0.00%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	5	1	20.00%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	2	0	0.00%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	0	0	0.00%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	9	0	0.00%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	2	0	0.00%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	13	7	53.85%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	44	0	0.00%
20	OTHER ASSESSMENTS	33	5	15.15%
21	UNSUPPORTED DENIALS	2	0	0.00%